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SUBJECT: CENTRAL HIGHLAND ETHNIC MINORITIES LEFT BEHIND IN  
VIETNAM DEVELOPMENT IN SPITE OF GOVERNMENT INTERVENTIONS

REF: A) 04 HCMC 001491; B) 04 HCMC 000210; C) 04 HCMC 001493;  
D) 04 HCMC 001581; E) Hanoi

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1. (SBU) Summary: Vietnam has experienced rapid economic development since beginning its Doi Moi (Renovation) reforms in 1986 and achieved rapid poverty reduction throughout the 1990s. But between 1998 and 2002, while other regions continued to show reductions in poverty, the Central Highlands showed virtually no progress. Conditions among the poorest in the region, mainly ethnic minorities, worsened. The Government of Vietnam (GVN) has demonstrated a sincere commitment to alleviate poverty in general and to develop the Central Highlands in particular. However, an emphasis on infrastructure over capacity building, a solidly top down approach, problems with land allocation and communication barriers caused by language and ethnicity have all impeded socioeconomic development in the region. The GVN continues to adhere staunchly to the goal of expanding industrial agriculture, which it sees as the way to stimulate the region's growth potential. Land and forest allocation, seen by the international community and by Vietnamese poverty specialists as the pivotal challenge to the Highlands' socioeconomic development, is not an area the GVN has adequately dealt with, this reflects the GVN's preference to focus on policy intention rather than on execution. End Summary.

2. (SBU) A separate report, the third in this series, will explore the outlook of international donors, agencies and NGOs, as a whole and separately, toward assistance in the Central Highlands. The report will also highlight some particular areas of intervention that address some of the gaps identified in this report and suggest some possible entry points for U.S. assistance in the region.

#### A Picture of Poverty

3. (SBU) With the highest incidence of poverty of any region in the country, the Central Highlands provinces have shown almost no progress in poverty reduction over the last four years and also have developed a growing income gap between ethnic minority and Kinh populations. According to the internationally accepted methodology of the General Statistics Office and the World Bank, the incidence of poverty in the Highlands is 52 percent compared to 29 percent for the country as a whole. Poverty is defined as monthly per capita expenditure for food and necessities of less than about USD 11.50 for 2004. (Note: From 1998 to 2002, the Central Highlands' share of poverty in Vietnam doubled from five to ten percent. Across Vietnam, ethnic minorities make up 14 percent of the population but 29 percent of the poor. Many ethnic minority groups in the Central Highlands have poverty rates of 80 to 90 percent.

#### Dominant Development Priorities for the Central Highlands

4. (SBU) Three key themes have dominated the Government's socioeconomic development approach for the Central Highlands: resettlement, including the sedentarization of ethnic minorities and planned in-migration to develop New Economic Zones (NEZ); land and forest management and allocation; and hunger eradication and poverty reduction programs. Resettlement (See ref E) is closely linked to the development of industrial agriculture, as NEZs were largely organized from lands the GVN viewed as unused or under utilized into large state agricultural or forest enterprises. (Note: Industrial agriculture refers to modern farming methods that depend on synthetic fertilizers, seed technology, large amounts of irrigation, and modern processing and transportation systems. Ideally implemented on a large scale, the principle is to achieve effective productivity through the use of technology. End Note.) Since 1993, as part of forest protection policy, the GVN has attempted to transfer forest land to households to manage. The GVN also began to reallocate arable land to poor

and ethnic minority households as a part of its poverty alleviation strategy. According to poverty experts at the World Bank and Asian Development Bank, resolving disputes over land use determination, borders and land allocation is the most significant challenge to resolving ethnic minority tensions and barriers to socioeconomic development.

#### Major Government Interventions

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15. (SBU) With the growing attention to poverty reduction in the 1990s, the GVN created a series of National Targeted Programs (NTP) which were intended to reach the poor in different ways. The following section outlines the chief GVN socioeconomic development interventions that affect the Central Highlands.

--Hunger Eradication and Poverty Reduction Program (HEPR). Begun in 1998, this program coordinates and integrates nine sectoral anti-poverty projects directed at poor households, including targeted support to ethnic minorities. This program includes targets in infrastructure, special subsidies, sedentarization and resettlement, agricultural extension, credit, health and education, and job creation. Executed by the Ministry of Labor, Invalids and Social Affairs (MOLISA); HEPR expenditure in 2003 was estimated at USD 60 million. The GVN is currently drafting a new HEPR plan through 2010.

--Support for the Most Difficult and Remote Communes (Program 135). Launched in 1998, Program 135 focuses on improving village and communal infrastructure and was intended to work in conjunction with projects in other sectors. Executed by the State Committee for Ethnic Minorities (CEM), its expenditure in 2003 was estimated at USD 95 million. Currently, about 10 percent of total investments in HEPR and Program 135 are directed to the five provinces of the Central Highlands.

--Central Highlands Program. In 2001, Decision 168 called for a long-term regional policy for socioeconomic development of the Central Highlands and set specific targets for economic development, poverty reduction, infrastructure and social services. It also addressed the need to open markets and called for teachers and health workers to learn local languages. Total expenditure for Program 168 in 2003 was estimated to be USD 18.2 million.

--Health and Education. In 2002, the Prime Minister's Decision 139 established province-level health care funds for the poor to provide health cards for ethnic minority and poor individuals, which entitle them to free medical treatment. The GVN has also waived school tuition and construction fees for disadvantaged children and has subsidized boarding schools for ethnic minorities in remote locations.

--Land for Ethnic Minorities. In 2001, Decision 132 created the Land Allocation Program for the Central Highlands, which was intended to provide poor indigenous communities with arable land by reclaiming new land and buying existing land from larger landholders. Because of difficulties in reclaiming land and land disputes, the GVN readjusted land reallocation regulations in Decision 134 in July 2004. Decision 134 sets a policy to give production land, residential land, housing and clean water for all poor ethnic minority households, with a deadline of 2006. While reducing the amount of land to be allocated to each household, this decision also extended these benefits to poor ethnic minorities in regions other than the Central Highlands and attempted to streamline procedures for provincial authorities who are responsible for managing allocation.

--Reforestation. Two Prime Ministerial Decisions, 327 (in 1993) for the Re-Greening of Barren Hills, and 661 (in 1998) beginning the "5 Million Hectare Reforestation Program" (5MHRP) have guided efforts to rehabilitate degraded forest lands. Project 327 provided direct payment to households in exchange for forest protection and for state forest enterprises to establish forest plantations. Because of weaknesses in Program 327, the 5MHRP was created in 1998 to run until 2010 to increase nation-wide forest coverage to up to 43 percent of the total land cover, provide job opportunities to the rural poor and ethnic minorities, and increase the supply of forest products.

--Grassroots Democracy. Decree 79 of July 2003 clarified and set up a legal framework for increasing community participation at the local level, as described in Decree 29 of May 1998. The principles of grassroots democracy at the commune level established through these decrees are: "People know, people discuss, people implement, people monitor" the activities of the local government. According to the decree, the people should be fully informed of land use planning, socioeconomic development plans, budgets and expenditures. They should discuss things such as the budget, expenditures and construction of infrastructure, and they should participate directly or through elected representatives or mass organizations.

## Gaps in Translating Policy into Practice

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16. (SBU) Most poverty specialists and donors agree that while the GVN has made progress in overall poverty reduction, results have been meager for the level of investments poured into the Central Highlands. Observers attribute this gap between policy and practice to a number of factors in two broad categories, the first questioning the appropriateness of the measures or priorities pursued in the Central Highlands and the second identifying weaknesses in policy execution and implementation. (Ref A describes examples of GVN initiatives at work in Dak Lak Province.)

## Construction over Human Capacity Building

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17. (SBU) Three leading strategies in boosting socioeconomic development have been industrial agricultural development, rural infrastructure development and social services subsidies. However, within these broad areas, national priorities heavily favor building rural infrastructure over human capacity building. Thus, money has gone to material improvements such as schools and commune health centers, but has not translated into improved service delivery in health and education. At the same time, resources go to build irrigation systems or create seed subsidies rather than to train farmers. Investment in infrastructure has meant improved facilities in the region, but the benefits have not effectively reached the rural poor. Instead, urban based Kinh and government staff tend to benefit most from projects that largely favor commune centers and those who are better off.

## Industrial Agriculture Aggravates Conditions

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18. (SBU) The economic development priority of industrial agriculture has emphasized growth targets over sustainable development. The aggressive push to develop coffee plantations in the 1980s and 1990s brought in more Kinh migrants and exacerbated historical ethnic tensions, increased the vulnerability of the poor who invested in coffee, and increased the value of land which added to competition for land use rights (LURs). New immigrants, both Kinh and ethnic minorities from other regions, have come in and accumulated cultivated land, in part by purchasing land from local ethnic minorities. Over time, however, local minorities, who lack the skills to compete with the new immigrants, have become increasingly marginalized.

## Addressing Ethnic Dislocation

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19. (SBU) Successive regimes and periods in Vietnam have in turn promoted self-awareness, autonomy and division between Kinh and ethnic minorities in the Central Highlands. There is wide agreement in the international community and in the Vietnamese research community that in this context, the confounding issues of ethnicity, culture and tradition can cause social and economic problems to become political conflicts. Development interventions that do not recognize ethnic minority traditions or belief systems, even while they are trying to change them, risk further isolating ethnic minorities rather than helping them find alternative ways to adapt to the demands of a market society.

10. (SBU) In discussions with GVN and other Vietnamese counterparts, the most common perception of ethnic minorities in the Central Highlands is that they cling to "backward" farming practices that lead to food poverty and environmental degradation and that they lack the work ethic and motivation to take advantage of rich natural resources and government subsidies. The general solution according to this view is that they must be taught the correct Kinh lifestyle. Another view is that the historical changes in social structure and land ownership have broken communal safety nets and forced ethnic minorities to struggle at a subsistence level, while their social and linguistic dislocation has made it more difficult for them to access benefits of the National Targeted Programs. (Ref B details ethnic minority disadvantages in land and employment opportunities in a village in Lam Dong Province.) Shared by most of the academic and NGO community, this view has yet to influence GVN policy. A third outlook suggested by poverty specialists is that many local government officials are either carpetbaggers or corrupt, and are not interested in relinquishing their control over state agricultural and forestry enterprises or in alleviating ethnic minority problems.

## Top Down and Uncoordinated Planning and Implementation

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11. (SBU) Many in the international community argue that the local authorities have learned to rely heavily on both central policy guidance and budget support, perpetuating a welfare-

based rather than a rights-based approach to socioeconomic development. This approach has resulted in little local investment in goals or activities and a high degree of dependency on external resources. There is also shared perception in the international community, particularly among NGO personnel, that the top down delivery has focused on meeting target numbers rather than addressing local needs. As a result, assistance has been thinly spread, where some get water, some get health care, some get education and some get agricultural extension, without any community receiving a coordinated approach needed to help lift it out of poverty.

112. (SBU) Asian Development Bank (ADB) and Action Aid poverty specialists who helped conduct Participatory Poverty Assessments (PPA) in the Central Highlands in 2003 reported that with the top down approach, there is a striking gap in knowledge at the center of actual implementation at the local level. GVN ministries measure the success of Program 139 by counting the number of health cards issued. But PPA findings show that many who have the health care are still forced to pay, either because the local authorities want to mobilize local contributions, or because of simple corruption. More problematic is the failure of top down interventions to ensure proper service delivery at the grassroots level. As a result, under the Reallocation of Land Decree, land repurchase was set at such a low price that no one was willing to sell to the Government, severely limiting land resources for the program. Provinces and districts also assigned teachers to ethnic minority villages who spoke a local ethnic minority language, but not the same one spoken in the village. Although many students are exempted from tuition fees, the quality and relevance of their education has not improved.

#### Language and Communication Barriers

113. (SBU) A very serious shortcoming of development interventions in the Central Highlands is that no program or project requires the use of local languages. Official GVN policy asserts that all nationalities in Vietnam should learn and use the national language. While this is a barrier that all ethnic minorities face, the Highlands' multi-ethnic concentration and isolated residential patterns deepen existing language barriers. Few of our GVN interlocutors were willing to stray from the party line on the use of Kinh Vietnamese, even to accelerate preschool education or agricultural extension training. The refusal by the GVN to deal with the language and communication barrier directly will continue to limit the effectiveness of any behavioral change communication or development activities, and will further intensify the region's social and economic exclusion.

#### Consequences of Limiting Foreign Access and Expertise

114. (SBU) Donors, UN agencies and NGOs have repeatedly encountered sensitivity surrounding access to the Central Highlands mainly by having key staff, including evaluation consultants, be denied access. Another access issue affecting capacity is the limited presence of international NGOs. The lack of these NGOs providing grassroots development in the Highlands has accentuated the top down approach and its associated difficulties. More broadly, the highly proscribed access to the region has helped maintain the region's and, in particular, the rural poor's isolation and lack of exchange with outside people and ideas.

115. (SBU) Donors and NGOs have also noted contrasting signals from the GVN on openness to foreign assistance in the region, with a gap between the central and provincial positions. Both the Canadians and the European Union pointed to Deputy Prime Minister Vu Khoan's frank remarks on the Central Highlands at the June 2004 mid-year Consultative Group Meeting, acknowledging the mistakes of the Government in resettling Kinh people into the region to develop the coffee industry, and welcoming both visitors to the region and foreign assistance. Provincial authorities are seen to be far more conservative and are often the greatest obstacle in planning international visits and assistance. The Japan International Cooperation Agency (JICA) reported that Kon Tum officials initially refused their forest protection assistance and only came around after strong central level support for the project. NGO representatives reported having to rewrite project proposals to assure the provincial GVN that foreign staff would not work directly in the provinces. Dak Lak's provincial leadership told us point blank that it was not interested in USG assistance, although local leaders in Gia Lai and Kontum provinces told us that they welcomed USG development aid (refs C and D).